



Department  
for Education

# **Accounting Officer System Statement for the Department for Education and Teachers' Pension Scheme (England and Wales)**

**July 2019**

## **CONTENTS**

<b>Preface</b>	<b>3</b>
<b>Introduction</b>	<b>4</b>
<b>Scope of the System</b>	<b>5</b>
Scope of responsibility	5
Statement of Accounting Officer responsibilities	5
<b>Responsibilities within the core Department</b>	<b>8</b>
Budget allocation and responsibility	8
Managing risks	9
Counter Fraud, Error & Debt Activity	11
<b>Relationships with Arm's Length Bodies</b>	<b>12</b>
<b>Local assurance and funding arrangements</b>	<b>15</b>
Overview	15
LA assurance responsibilities	15
Academy Trusts	16
Funding arrangements	18
Grants	18
Provider Market Oversight	19
Regional School Commissioners	20
ESFA, RSCs and Ofsted	21
Summary of sources of assurance	22
<b>Higher and Further Education</b>	<b>23</b>
Higher Education	23
Further Education and Apprenticeships	24
Student Loans	27
<b>Teachers' Pension Scheme</b>	<b>29</b>
<b>Glossary</b>	<b>30</b>

# Preface

The Accounting Officer (AO) of a government department is accountable to Parliament for the effective stewardship of the resources allocated to the department. Details of an AO's responsibility (including with regard to regularity, propriety, value for money and feasibility) are set out in HM Treasury's [Managing Public Money](#)<sup>1</sup>.

In 2016, the Public Accounts Committee recommended that all departments should prepare enhanced accountability system statements, covering all of the accountability relationships and processes within that department, making clear who is accountable and for what, at all levels of the system from the AO down.

In response, the Government agreed that the Principal Accounting Officer (i.e. where subsidiary bodies have their own appointed AOs) of each of the main central government departments should provide a statement of its accountability systems, including the relationships with its executive agencies, public bodies and third party delivery partners.

This is the Department for Education's ('the Department') fourth statement and supersedes the document issued in August 2017.

---

<sup>1</sup> <https://www.gov.uk/government/publications/managing-public-money>

# Introduction

As Permanent Secretary, I am appointed by HM Treasury as the Principal Accounting Officer (PAO) for the Department. I am personally responsible to Parliament for safeguarding those public funds which fall under the auspices of the Department for Education. As set out by HM Treasury in its Managing Public Money (MPM) guidance, my principal function is to ensure regularity, propriety and value for money.

This Accounting Officer System Statement sets out all of the accountability relationships and processes within my Department, making clear who is accountable for what at all levels of the system, including where I have appointed additional Accounting Officers, who will have in place their own systems of accountability.

**Jonathan Slater**  
**Permanent Secretary**

# Scope of the System

## Scope of responsibility

The Department is a ministerial department and works with its agencies and other bodies to achieve its aims and objectives. The Chief Executive Officers (CEOs) of departmental and non-departmental bodies are responsible for the stewardship of resources allocated to them, as detailed in their appointment letters and letters of delegated accountability. Where these bodies produce statutory annual reports and accounts, the CEO signs the governance statement that outlines the body's internal control system.

The Office of Standards in Education, Children's Services and Skills (Ofsted) and the Office of Qualifications and Examinations Regulation (Ofqual) are non-ministerial Departments that fall within the boundary of the Department. They are, however, subject to separate funding authority from Parliament and each has its own AO. Their systems are not set out in this statement.

The Teachers' Pension Scheme (England and Wales) (TPS) is overseen by the Department, although funding is provided through a separate Parliamentary Estimate. I am also the AO for the TPS, and so the systems that support its operations are included within this statement.

## Statement of Accounting Officer responsibilities

In policy terms, my remit means that the Department is responsible for:

- children in the early years, primary and secondary schools
- teaching for young people and adults, in further and higher education
- work-based learning and apprenticeships
- student loans
- supporting professionals who work with children and young people
- helping disadvantaged children and young people to achieve more
- ensuring that local authority-led children's services are of the appropriate level and quality to protect and support children
- provide a defined benefit occupational pension scheme to eligible members of the teaching profession
- addressing barriers that prevent people fulfilling their potential, whilst fulfilling domestic and international obligations to protect and promote equality.

The Secretary of State for Education and other Departmental Ministers have a duty to Parliament, which means that they are held to account for the policies, decisions and actions of this Department, its agencies and other public bodies and the TPS. They look to me as PAO to manage and delegate within the Department and its partner organisations, to deliver their priorities and support them both in making policy decisions and handling public funds.

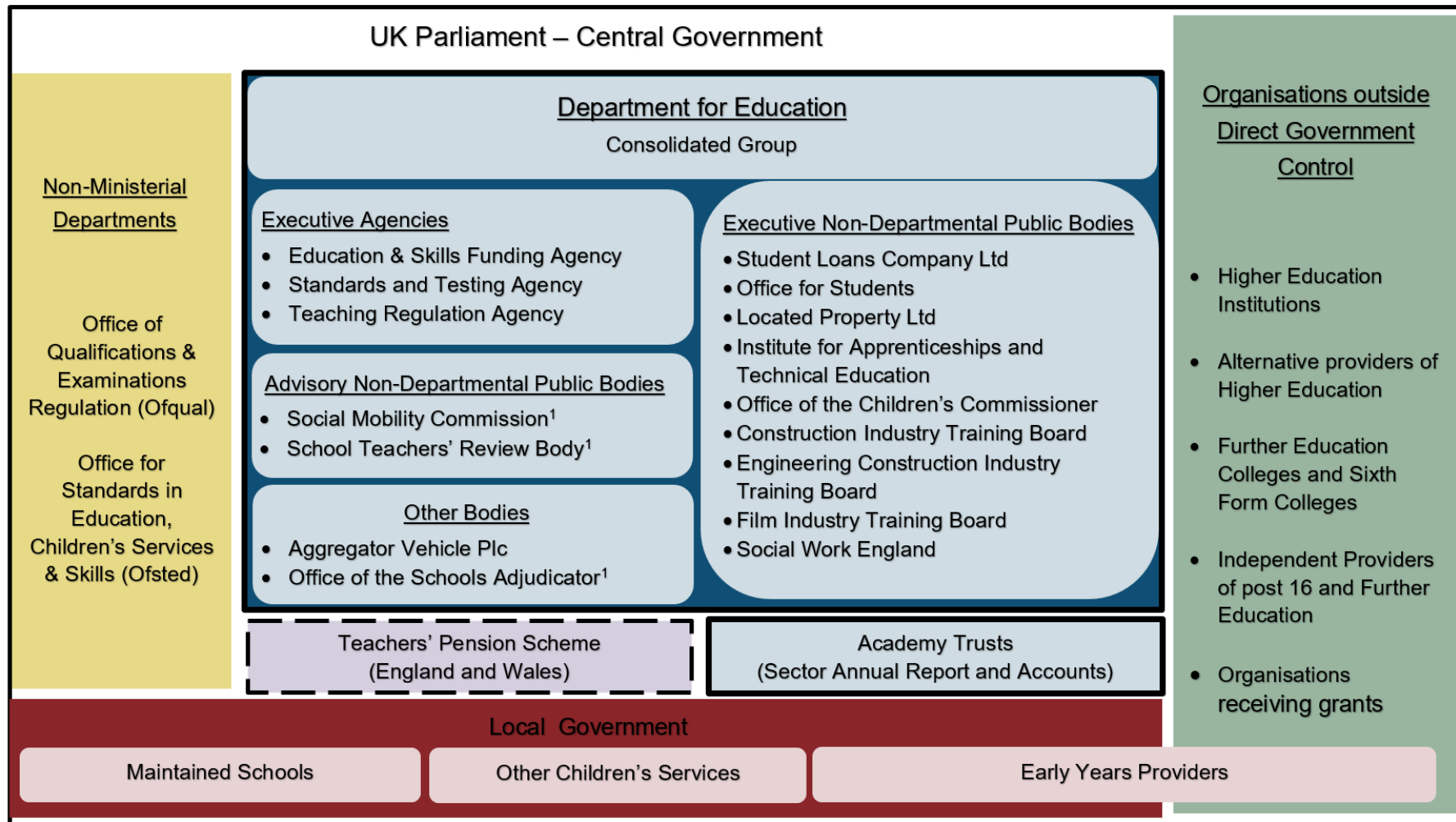
I am personally responsible for safeguarding the public funds delegated by Parliament through the [Estimates process<sup>2</sup>](#), for both the Department itself and separately for the TPS. Where I have appointed additional AOs, their responsibilities are referenced in this statement.

This document covers my core department; its arm's length bodies (ALBs); other arm's length relationships and the TPS (Figure 1 illustrates the overall system). It describes accountability for expenditure of public money through my Department's Estimates, public money raised as income, and the management of other publicly owned assets for which I am responsible.

---

<sup>2</sup> <https://www.gov.uk/government/collections/hmt-main-estimates>

Figure 1: A diagram showing all parts of the system



<sup>1</sup> These bodies do not have an AO their expenditure is controlled through the core department.

# Responsibilities within the core Department

As the lead official and PAO for the Department, I am accountable for the effective stewardship of its funds. I delegate responsibility and rely upon effective governance arrangements and internal controls to support decision-making and budget management. These controls include:

- clearly defined budgets and responsibilities
- a robust identification and management of risks
- mitigation of the risk of fraud, error and debt.

## Budget allocation and responsibility

I am responsible for taxpayers' money (Parliamentary Supply), allocated to the Department by Parliament. I am required to ensure that the Department does not overspend against its allocated budgets ('control totals'); separate control totals are received for programme (both resource and capital) and administrative expenditure. Further controls or ring fences will be put in place by Parliament if required.

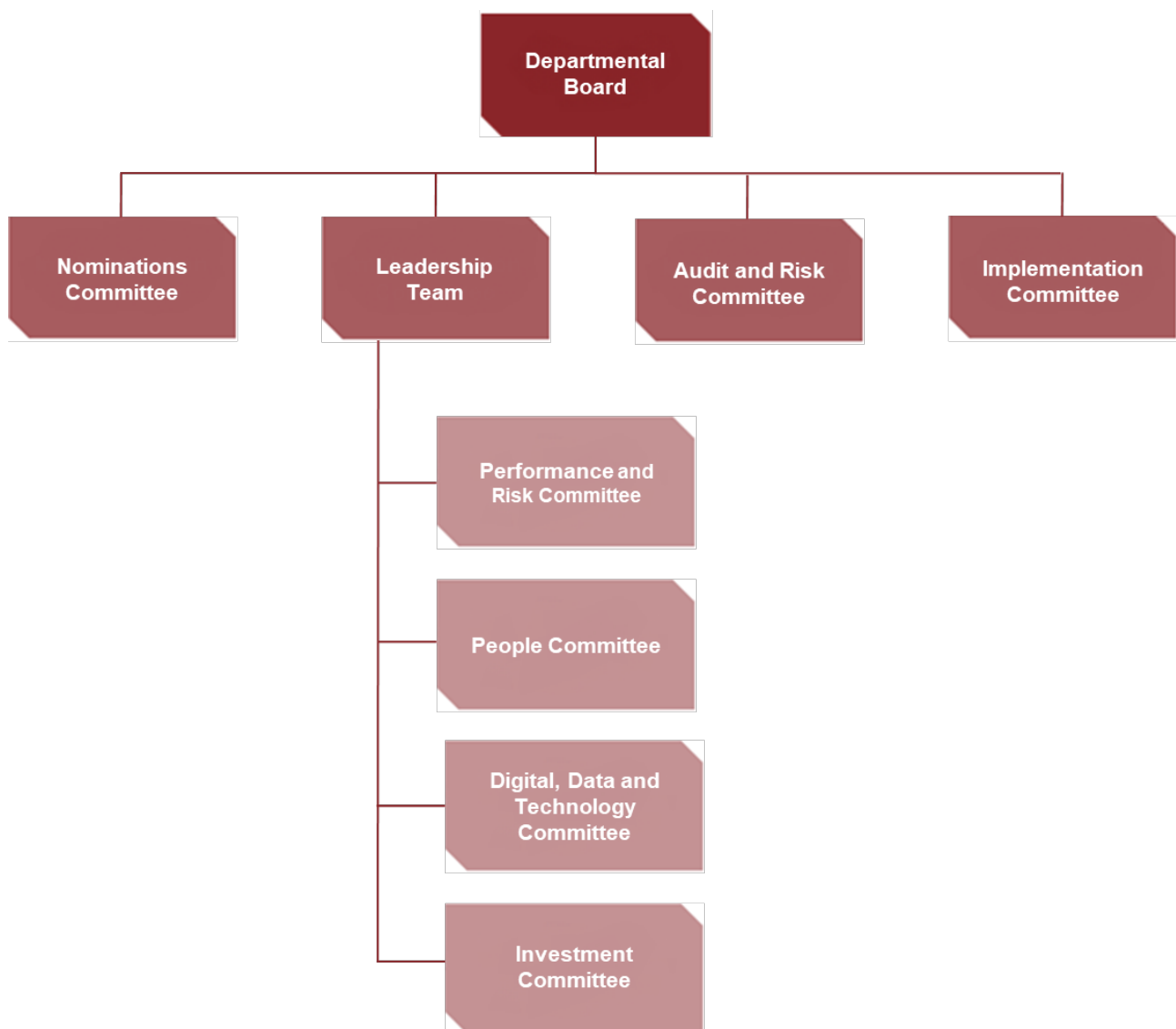
Ministers decide how the Department's funding is allocated between priorities, supported by the Departmental Board (the Board) and Leadership Team. I then delegate budgets to my Directors General in line with those priorities; they have responsibility for managing and reporting to me on their use of their allocations in delivering against those priorities. I delegate budgets for our ALBs to the Chief Executives of those organisations, with the exception of Executive Agencies, whose budget is delegated by Directors General.

Directors General have the authority to decide whether and how to delegate authority further to senior colleagues within their directorates. Directors General are supported by a team of finance business partners, which supports overall financial management for the Department.

I rely on the Board and its four supporting committees to bring key risks and issues to my attention. The structure of the Board and its committees is described below at Figure 2.



Figure 2: The Department's governance structure



## Managing risks

Whilst the overall strategic direction on the approach to and management of risk is set centrally, our risk management approach is to devolve accountability to those best placed to manage it.

A corporate risk team acts as the central point for advice and guidance on effective risk management, and are responsible for the effective implementation of the Department's risk management framework. They also coordinate the Department's Top Tier Risk Register. They escalate the most significant risks to the Department's boards and committees; monitor and report near misses and unexpected issues, and ensure that steps are taken to reduce the likelihood of issues recurring.

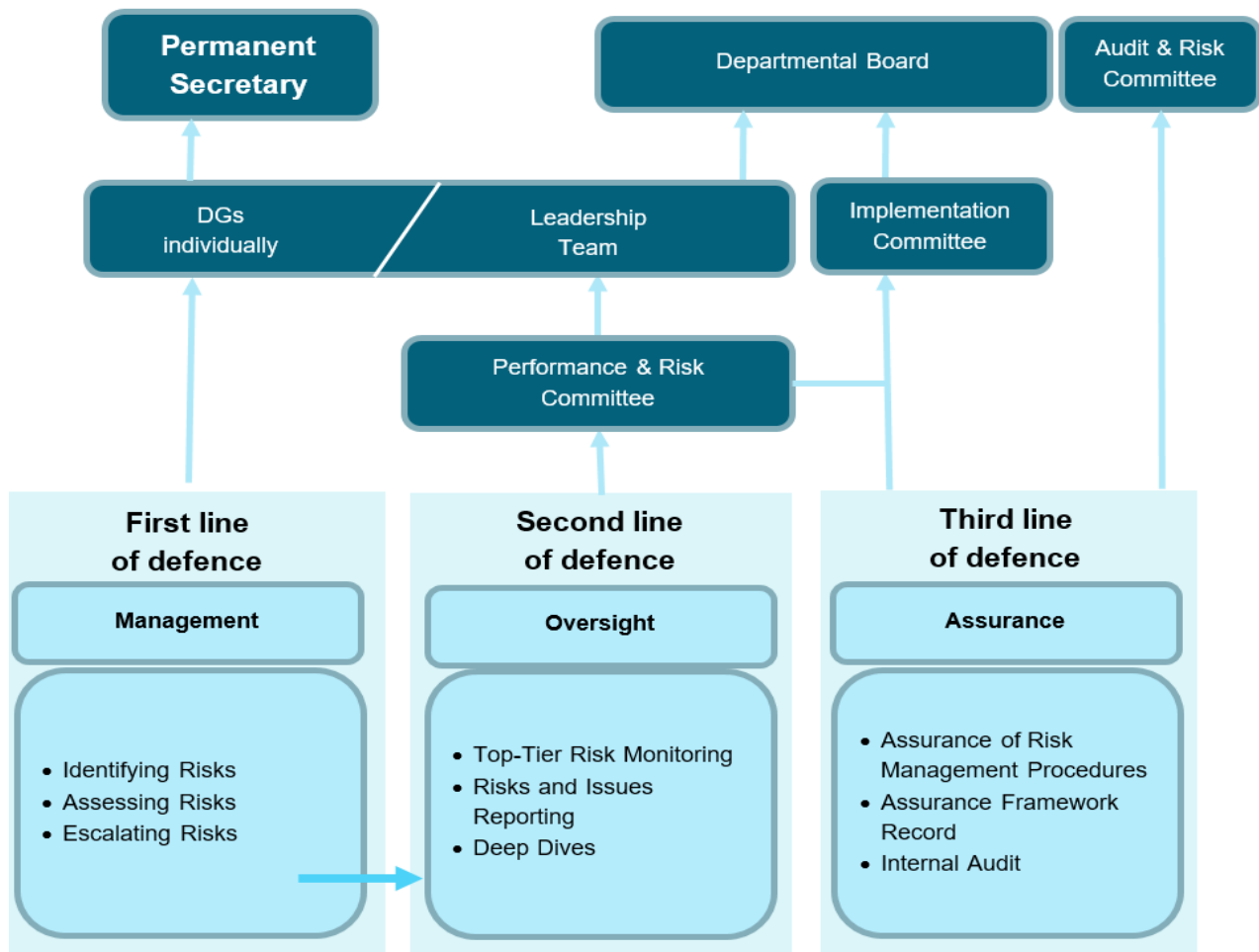
We have a rigorous approach to risk management that considers three types of risk, i.e. those affecting systems, our delivery and organisational risks.

For all types of risk, we adopt the 'three lines of defence' approach to effective management, supported by strong governance arrangements employed by our boards and committees.

- **The first line of defence: management.** We employ an effective use of Senior Responsible Owners (SROs) who, through programme governance and budget managers, monitor and manage risks relating to their specific area of responsibility. The central risk team works with individual SROs and project teams to help build capability and consistency in the management of their risks
- **The second line of defence: oversight.** Using a cross-department monitoring and reporting framework, the leadership team is provided with quarterly updates of risks that need top-tier oversight; the reports clearly set out the action required by the committee
- The Performance and Risk Committee is responsible for overseeing the implementation of the risk framework and the top-tier risk register
- **The third line of defence: assurance.** My assurance comes from the oversight of the Board; the Government's Internal Audit Agency (GIAA), and the Departmental Audit and Risk Committee (ARC), which takes overarching responsibility.

The Department benefits from other independent assurance processes such as Major Project Reviews, National Audit Office (NAO) and Provider Market Oversight (PMO) studies that target areas of high risk or interest. Further information on PMO can be found on page 19

## The Department's risk management framework summary



## Counter Fraud, Error & Debt Activity

The Department works with Cabinet Office and across government to share experience and expertise to reduce fraud within the public sector.

Where an allegation of fraud has been made, it will be thoroughly investigated by the relevant team or body. If the investigation suggests that there has indeed been fraud, bribery or corruption, trained investigators will pursue the case. This will involve the courts where necessary and my officials will seek to recover lost funds. A written report, detailing both the case and any recommendations for improvement, is provided in each instance.

The Department carries out a rolling review of controls designed to ensure that fraud, error and debt are minimised. Each of the Department's bodies has its own counter-fraud team to co-ordinate local efforts. The Department and its bodies take a risk-based approach in this area, to ensure that available resources and time focus on the highest-risk areas.

I receive details of these activities primarily through ARC and through escalation of significant issues.

# Relationships with Arm's Length Bodies

The Department works with its ALBs to deliver services, regulation and advice. This section sets out the different types of bodies and the features of the Department's relationships with them. The following sections discuss in more detail the accountability system for the Department's significant funding streams, which are mainly channelled through the ALBs.

The Department applies the principles and standards set out in the Cabinet Office code of good practice on [Partnerships between departments and arm's length bodies](#)<sup>3</sup> to its relationships with ALBs.

In common with other departments, the Department's ALBs take a number of different forms:

- Executive agency
- Non-departmental public body (NDPB):
  - Executive NDPBs
  - Advisory NDPBs
  - Other public bodies
- Non-ministerial Departments.

An explanation of their differing functions is set out in [Public bodies - GOV.UK](#)<sup>4</sup>

Along with the Secretary of State, as PAO I am responsible for appointing the permanent head or Chief Executive of the Department's executive agencies and other ALBs. The exception is for executive NDPBs, where typically the Chair of the Board appoints the Chief Executive. Following the appointment of the Chief Executive or permanent head, and where the organisation is required to produce Annual Report and Accounts, I will additionally appoint them as AO. Where there is no requirement to appoint an AO the NDPB's expenditure is managed through the department.

Each AO takes personal responsibility for ensuring that the resources under their remit are managed in accordance with the standards and policies set out by HM Treasury. They

---

<sup>3</sup> <https://www.gov.uk/government/publications/partnerships-with-arms-length-bodies-code-of-good-practice>

<sup>4</sup> <https://www.gov.uk/guidance/public-bodies-reform>

support me in fulfilling my responsibilities across the whole Departmental group, by reporting on assurance in their areas of the business.

All appointments to the Department's ALBs are made in line with Cabinet Office standards for public appointments. A list of individual AOs appointed by me is available in the latest [Main Estimate](#)<sup>5</sup> published by HM Treasury. With the exception of Ofqual and Ofsted (who received their AO appointment letter directly from HM Treasury), all new AOs receive a letter from me setting out their responsibilities. This includes the use of resources to carry out the ALB's agreed functions as set out in their Framework Agreement (see Chapter 3 of MPM).

The relationships between the Department and its ALBs' AOs give me the necessary oversight and assurance of funds, whilst giving each ALB appropriate autonomy to deliver its agreed priorities. This autonomy is assured because:

- Each ALB has its own governance structure. Where this includes having their own, separate audit and risk committee, these committees have either a direct or linked membership relationship with ARC. Generally, the ALB's chairman and board appointments are made by Ministers
- Funding for each ALB is set by Ministers every year through the Department's business planning process
- Each ALB has a Departmental sponsor, normally a named Senior Civil Servant with responsibility for the relevant policy area, to whom I delegate responsibility for overseeing the relationship and for monitoring the delivery of the ALB's priorities. Given its significance in the assurance regime, I have retained sponsorship of the Education and Skills Funding Agency (ESFA)

The sponsor role is an important one in the department's assurance regime; sponsors ensure that suitable arrangements are in place to manage their ALBs and they will monitor performance and outcomes as specified in the ALBs' Framework Document or equivalent. This will include reporting financial performance and ensuring that the ALB is meeting its delivery objectives. The overall aim is that the relationship between the Department and the ALB should be open and transparent, based on a mutual understanding of risk

- The different categories of ALBs follow different practices for publishing annual reports and accounts as summarised below:
  - executive agencies and executive NDPBs produce their own annual reports and accounts and their financial results and performance are consolidated in the Department's group accounts

---

<sup>5</sup> <https://www.gov.uk/government/publications/main-supply-estimates-2017-to-2018>

- the income and expenditure for the advisory NDPBs are included as part of the core Department's activities within the Department's group accounts (as illustrated in Figure 1).

The relationship with some other departmental bodies differs from that described above and is summarised below:

- Aggregator Vehicle Plc is governed by contract. The Department procured the establishment of the Aggregator to support the efficient delivery of privately financed school improvements through acting as a single source of market funding. Funding is derived from its market and not from the Department
- The three industrial training boards; Construction Industry Training Board (CITB), Engineering Construction Industry Training Board (ECITB) and Film Industry Training Board (FITB) were established to support relevant industry training. They are individually funded by industry-based levies.

# Local assurance and funding arrangements

## Overview

This section explains the accountability mechanisms supporting me as PAO. The Department's approach reflects: the four features of HM Treasury's 'ROCC' model (as set out in its [AOSS guidance](#)<sup>6</sup>):

- **Resources:** there is a well-defined understanding of what resources were provided for
- **Outputs and outcomes:** there is a mechanism in place for assessing the outcomes expected from the resources
- **Check:** there is a robust check of spending and performance
- **Challenge:** there is an efficient process to challenge those responsible for delivering the outcomes and spending the resources.

The senior departmental officers and ALB sponsors will gauge the success of each funding strand based on its success in achieving its policy aim; the accountability system will supplement and support their determination of success.

The accountability system for maintained schools, early years and other children's services relies heavily on the well-established local government system of gaining assurance through Local Authorities (LAs) and local democratic accountability. Whilst the control regime shares much with that for Academy Trusts (ATs), the greater autonomy enjoyed by ATs, together with their greater financial freedoms and responsibilities, has rightly given rise to the development of stronger and more rigorous accountability mechanisms.

## LA assurance responsibilities

A maintained school is one which is funded wholly by the Department through LAs and which sit within the control and accountability regimes of their parent LA. LAs are responsible for ensuring that they have adequate oversight of the schools' financial management and for holding them to account. The Department's [Governance Handbook](#)<sup>7</sup> and its [Schools Causing Concern](#)<sup>8</sup> guidance both set the priorities for effective governance, and reflect the importance attached to LAs understanding and having confidence in the quality of governance in the schools they maintain.

---

<sup>6</sup> <https://www.gov.uk/government/publications/accounting-officer-system-statements>

<sup>7</sup> <https://www.gov.uk/government/publications/governance-handbook>

<sup>8</sup> <https://www.gov.uk/government/publications/schools-causing-concern--2>

Under Section 151 of the Local Government Act 1972, every LA must appoint an officer (who must be a qualified accountant and who is usually the Chief Financial Officer) to be statutorily responsible for ensuring that the LA acts in accordance with its financial framework, and that it has adequate oversight of distributed funds to its maintained schools.

There are several responsibilities that LAs hold which cover pupils in both maintained schools and academies. LAs receive additional funding to allow them to take any necessary actions. These responsibilities include:

- prosecution of parents for non-attendance
- tracking children missing from education
- capital programme planning and functions relating to academy leases
- strategic planning of children's services
- addressing special educational needs
- the safeguarding of pupils.

Effective care and education for children and young people in early years providers, schools, colleges and other settings is often also dependent on support from public health services locally.

While the main funding for children's social care services (and hence Accounting Officer responsibility) is provided by the Ministry of Housing, Communities and Local Government (MHCLG), the Department is responsible for ensuring the quality of children's social care services provided by LAs or by children's social care "trusts" on their behalf. A programme of reforms aims to improve quality at all levels in the system and the Department has specific intervention powers to secure improvement when LAs or trusts fail to discharge their duties effectively.

## Academy Trusts

The primary responsibility for the oversight of ATs rests with the ATs themselves. Each AT must have its own AO whose responsibilities are set out in the ESFA Academies Financial Handbook ([AFH<sup>9</sup>](#)). However, accountability is founded on a clear framework communicated and regulated by the ESFA, with effective oversight and compliance based on proportionate risk assessment, and robust intervention when concerns arise. Where there is a risk to public funds, the ESFA will intervene in a way that is proportionate to the risk and preserves the effective education of children, including issuing a Financial Notice to Improve, or in the most serious cases termination of the Funding Agreement.

---

<sup>9</sup> <https://www.gov.uk/government/publications/academies-financial-handbook>



ATs are independent charitable companies limited by guarantee, which means that their directors (who are also their charitable trustees) have statutory duties to act within their powers; exercise care, skill and diligence and avoid conflicts of interest. For the purposes of this document, ATs include free schools, university technical colleges, studio schools and special and alternative provision academies.

ESFA funds ATs and maintained schools using the pupil funding formula with allocations and payments for ATs' based on an academic year, maintained schools' on the financial year.

## Funding arrangements

The Department distributes early years funding to local authorities via the early years national funding formula (EYNFF), introduced in April 2017. This formula is driven by the individual characteristics of each local authority. The EYNFF distributes funding in a fair and transparent manner. Local authorities are required to pass at least 95% of early years Dedicated Schools Grant (DSG) funding to providers.

## Grants

The Department's funding is disbursed through a number of grant streams. Those to LAs for onward allocation to schools, and those paid directly to ATs in line with their funding agreements are the most significant.

The Department also has a well-defined process for awarding general grants to other bodies, such as voluntary and charitable organisations, public and private sector organisations. Grant managers are responsible for ensuring that grants are awarded in accordance with the principles of HM Treasury's Managing Public Money and Cabinet Office's [Grant Standards](#)<sup>10</sup>. They are also responsible for day-to-day grant management and administration throughout its duration.

Similarly, the Department uses contracts to outsource the delivery of services and achieve value for money, where these are seen to deliver the most effective utilisation of funds. On a day-to-day basis, designated contract managers manage each contract; senior civil servants are responsible for effective and compliant spend.

The Department pays a number of grant streams to LAs for allocation to individual schools, including DSG, Pupil Premium, PE and Sports Premium and Universal Infant Free School Meals (UIFSM). The DSG is the largest of these, and is distributed to local authorities via the Early Years, Schools and High Needs National Funding Formulae. The DSG is ring-fenced; LAs can transfer funding between DSG blocks (schools, high needs, early years), though a certain proportion of early year block funding must be passed directly to early years providers and the overall total allocation must be adhered to.

ATs are funded directly through the General Annual Grant (GAG), which provides DSG equivalent funding for academies, including those with sixth forms. Other grants include funding for conversion and rebrokerage, as well as Pupil Premium and UIFSM.

Irrespective of the recipients, grant-funded and contractual activity in all cases is pursued in order to support the Department's objectives and provide financial support for the delivery of eligible outputs or broader outcomes. As PAO, I receive assurance from regular

---

<sup>10</sup> <https://www.gov.uk/government/publications/grants-standards>

briefings and progress reports on our expenditure and the financial and academic performance of all schools.

The department provides capital grant funding for the building of new schools; refurbishment of existing schools and assessment of the condition of the school estate. Schools capital expenditure is made up of a number of separate formulaic and demand-led programmes. Just under a third of expenditure is through direct delivery programmes, such as Free Schools and Priority Schools Building Programmes', with the rest as grant funding.

I receive regular assurance of school capital expenditure through the Schools Capital Board (SCB). Like other grant managers, capital programme SRO's and spending managers ensure that Managing Public Money and Cabinet Office's Grant Standards are adhered to. Bid based grants and contracts are frequently reviewed to ensure capital expenditure is in line with agreed terms and conditions. And GIAA provides independent review of that expenditure and approach. This is all in addition to the wider work of the Department's Provider Market Oversight function.

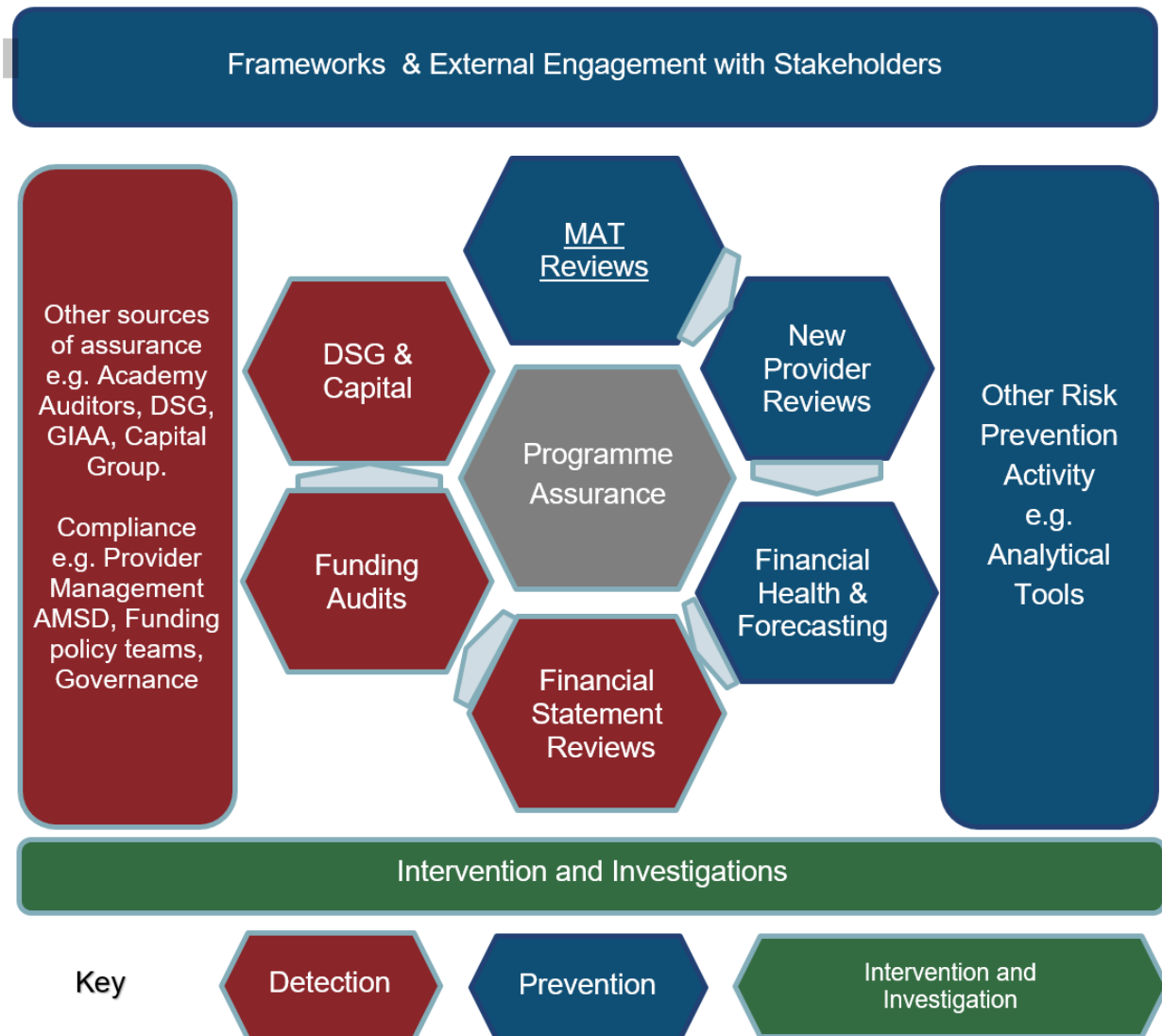
## Provider Market Oversight

The Provider Market Oversight (PMO) assurance team play a role in providing assurance over the use of funds by ATs, colleges and other education providers. Undertaking a wide range of planned and reactive audit and other work, they provide assurance on the funds distributed, intervention support and investigations. In doing so, they liaise with around 50 internal and external stakeholders.

To support their provision of assurance, PMO:

- Maintain the accountability frameworks: Aiming to balance the autonomy of providers with accountability, they set out the guidelines for providers' behaviour
- Carry out risk assessments and data analyses: They develop tools for the business to assess risk
- Undertake an annual assurance programme: to provide assurance on regularity of funds i.e. that funds have been spent as intended by Parliament and the Department in making funding available to schools / providers
- Investigate: They investigate allegations of fraud or irregularity at providers' premises.

The diagram below illustrates the assurance framework, using the three-stage Prevent, Detect, Investigation / Intervention approach.



## Regional School Commissioners

Regional School Commissioners (RSCs) have been appointed by the Department to increase its capacity to take decisions about ATs. RSCs operate within a defined decision making framework on behalf of the Secretary of State and, as they are based throughout the country, their work benefits from local knowledge. RSCs have powers of intervention in response to failure at ATs and LA maintained schools. These powers are set out in the Education and Adoption Act 2016; in the Schools Causing Concern guidance, and in individual academy funding agreements.

Their role also includes approving the progress of potential new free schools to the final funding agreement stage prior to opening. In reaching their conclusions, RSCs (who are accountable to the [National Schools Commissioner<sup>11</sup>](#)) will work closely with the local head teacher board (HTB). HTBs comprise experienced academy head teachers and other sector leaders who provide both advice and a 'challenge' function for RSCs. RSC decisions which do not wholly accord with HTB advice are reported to both the National Schools Commissioner and the Minister.

## ESFA, RSCs and Ofsted

Ofsted independently assesses school quality and diagnoses issues with schools' performance, irrespective of whether they are maintained schools or academies. RSCs take operational decisions on behalf of the Secretary of State within the Government's clear intervention and support framework. The ESFA oversees the financial management and governance arrangements of ATs.

### The ESFA and RSCs working together

The role of the ESFA goes hand in hand with that of RSCs. They work closely together to develop a coherent and joined up picture of a school, that considers both finance and governance (as led by ESFA) and educational performance (RSCs).

To achieve this we have:

- reviewed our approach to intervention to better understand how effective and consistent our approach to intervention is
- continued to improve data sharing and collection to provide a shared view of those trusts causing most concern
- improved communications to the sector, speaking with one voice and delivering a consistent message
- developed risk management and assurance activities to identify potential financial, governance and performance issues earlier.

### Ofsted

Ofsted is responsible for inspecting and regulating services that care for children and young people, and services providing education and skills for learners of all ages. All inspection reports are published and publicly available. In addition, Ofsted publishes an Annual Report to Parliament which provides an assessment of the performance of the sectors it inspects over the previous year.

---

<sup>11</sup> <https://www.gov.uk/government/people/david-carter>

## Summary of sources of assurance

As PAO I draw assurance from:

- the AT AOs regular, wide-ranging discussions with and reports to the ESFA on academic and financial performance
- independent auditors' opinions of the accuracy and fidelity of an AT's annual financial statements
- the auditors' conclusions (addressed jointly to the individual AT and the Secretary of State) on whether any matters of irregularity have come to their attention, and on each AT's level of compliance with accounting practices and governance arrangements across the sector
- School Performance Tables, which enable schools, parents and the wider public to make comparisons of education performance between schools. Both maintained schools and ATs use the tables to consider their efficiency and to identify areas where they could achieve greater value for money
- regular, independent assessments provided by Ofsted inspections on schools, on early years providers and on children's social care, where the impact of funding, the quality of provision, the effectiveness of the school's pupil premium strategy progress and the attainment of disadvantaged pupils are key factors in inspection outcomes. Through Ofsted's reports, the Department can monitor educational standards and trigger intervention where it is needed
- the annual assurance statement, provided by the CFO / Section 151 officer, covering its distribution of funds to schools and the expenditure thereof; and the section 251 returns by the LA on planned and actual spending for the financial year ahead
- external audit reports on each LA's own accounts
- information received by LAs from schools' governing bodies; head teachers; early years providers; comments or concerns raised by parents or other members of the local community
- the MHCLG, given the nature of the funding through LAs, MHCLG's AO is responsible for putting a framework in place to ensure that LAs act with regularity, propriety and value for money in the use of all of their resources
- information received by Voluntary and Community Sector (VCS) project partners
- reports from the Department's advisors and commissioners, where LAs are in intervention as a result of poor children's social care inspection results.

If not satisfied by some or all of these assurance providers, the Department will challenge the relevant LA or AT, so as to understand the issues better and seek appropriate additional assurances.

# Higher and Further Education

## Higher Education

### Providers of higher education

The Department provides a portion of higher education institutions' funding through the Office for Students (OfS).

The OfS has statutory duties in respect of the allocation of grant funding awarded by the Department as well as for assuring the quality of the provision it funds. The OfS ensures a rigorous test of a provider's readiness to enter the sector and its [operating framework](#)<sup>12</sup> sets out how higher education providers are held to account and regulated in England. The OfS has also published [guides](#)<sup>13</sup> to how it allocates its funding and its accountability framework for higher education institutions and related bodies.

### Alternative Providers of higher education

The Department currently gives specific course designation to courses at [some alternative providers](#)<sup>14</sup> so that their eligible students can receive student support funding for tuition and maintenance on higher education courses, via SLC.

From the 2019/20 academic year, all registered English providers of Higher Education (including Alternative Providers) will be regulated by the Office for Students (OfS) under its own regulatory framework. The Department will then stop designating alternative providers in the way described below.

Guidance published by the [Department](#)<sup>15</sup> sets out criteria and conditions for designation. On behalf of the Department, the OfS assesses evidence submitted to it by providers and advises the Department as to whether providers meet the conditions of designation. The Department takes all final decisions in relation to provider designation.

Decisions are communicated to the relevant alternative providers via letters. Providers are required to submit an Accountable Officer declaration to confirm their understanding and agreement for any new or annual re-designation decisions.

Alternative providers are required to comply with written conditions to maintain designation (access to student support for their students). As part of these conditions, accountable

---

<sup>12</sup> <https://www.officeforstudents.org.uk/media/1441/ofs-framework-28-april-2018.pdf>

<sup>13</sup> <https://www.officeforstudents.org.uk/publications/guide-to-funding-2018-19/>

<sup>14</sup> <https://www.gov.uk/government/publications/specific-course-designation-alternative-higher-education-providers>

<sup>15</sup> <https://www.gov.uk/government/publications/specific-course-designation-alternative-higher-education-providers>

officers at alternative providers must report to the Department on any change of circumstances, compliance risks or reputational risks as soon as those arise.

Data about the outcomes of alternative providers is gathered via the Higher Education Statistical Authority (HESA) and includes non-continuation rates (i.e. drop-out rates). Student number controls are also used to grow high quality provision, and to prevent poor quality provision from expanding, according to the outcomes achieved.

Throughout the year, the Alternative Provider Intelligence Unit engages with providers and gathers intelligence, to identify risks and inform sanctions to be taken, in the interest of protecting value for money.

The Unit raises concerns identified with the provider through regular engagement, and escalates as appropriate. Improvement notices and other sanctions may be used and, ultimately, providers can be removed if the concerns are severe.

## **Further Education and Apprenticeships**

Organisations which receive funding for the delivery of further education and apprenticeships are regulated by the Department.

The Department uses a broad range of evidence to assess the quality of delivery by a further education provider. This includes the provider's last Ofsted inspection grade, performance against minimum thresholds and an assessment of the provider's financial performance.

Ofsted Inspections establish provider quality using a wide range of criteria (for example, qualification achievement rates, learner attendance and the quality of teaching and learning) established in the Common Inspection Framework.

The ESFA and the Department sets national performance thresholds for FE providers, based on specified learner outcomes. However, performance thresholds applied to a provider will vary according to the courses they offer and the types of learner enrolled. The ESFA is also responsible for setting minimum standards of financial performance. It will assess and monitor the financial health of all providers, using established criteria.

Where independent training providers fail intervention thresholds for education or financial performance, they will normally have their contract terminated. Where colleges or LAs fall below the minimum educational or financial performance threshold, or receive a poor Ofsted inspection grade, they may be subject to intervention action. This may include escalation to the Further Education Commissioner (FE Commissioner).

The Department's arrangements for overseeing and supporting further education colleges that get into financial difficulty, including use of the new college insolvency regime, are set out in the April 2019 document 'College oversight: support and intervention'



<https://www.gov.uk/government/publications/college-oversight-support-and-intervention>.

The Department has also put in place governance structures, drawing on independent expert advice, to consider decisions on college insolvency and any associated support. Final decisions on these issues are taken by Ministers. These arrangements replace the previous approach, which provided Exceptional Financial Support for colleges in financial difficulty and a Restructuring Facility to help colleges that needed financial support to help them to restructure in line with area reviews of post-16 provision.

### **Apprenticeships levy**

The apprenticeship levy is payable by all UK employers with an annual pay bill of over £3 million, it is charged at 0.5% of an employer's annual pay bill. HM Revenue and Customs (HMRC) is responsible for both collecting the Apprenticeships Levy from employers on behalf of government, and accounting for the levy collected. This information is therefore held by HMRC and is published in their annual report and accounts.

HM Treasury provide the Department with a fixed annual budget for the apprenticeships programme.

The ESFA is responsible, and has well-defined process for, paying apprenticeships grant funding to the respective registered and approved training providers, where the levy employer has agreed the training for the apprentice via the Apprenticeships Service against their levy funding. Payment to the training provider is made monthly in arrears once they are able to demonstrate apprentices' attendance via the monthly Individual Learner Record (ILR).

The Levy funds can only be used for apprenticeship training if the apprentice works under an apprenticeship agreement. This is (a) an approved English apprenticeship agreement; or (b) an apprenticeship agreement within the meaning given in section 32 of the Apprenticeship, Skills, Children and Learning Act 2009 as it applies in relation to England by virtue of provision made under section 115(9) of the Deregulation Act 2015.

## **The Further Education Commissioner**

The FE Commissioner provides independent advice to the Minister for Apprenticeships and Skills and the ESFA AO, who in turn reports to me as PAO. The Commissioner's services are crucial in maintaining a sound accountability framework for further education, but statutory powers remain with the Secretary of State.

The 2013 guidance [Rigour and Responsiveness in Skills<sup>16</sup>](#), the 2017 guidance [Intervention policy in colleges and expansion of the Further Education Commissioner role<sup>17</sup>](#) describe:

- the role of the FE Commissioner
- the process by which they are commissioned by the Department to undertake 'diagnostic assessments' in colleges that are at risk of failing
- the process by which they are commissioned by the Department to undertake intervention assessments at colleges which fail in terms of finance or quality.

The approach applies to further education corporations, sixth form colleges, designated institutions, and local authority maintained further education institutions.

The 2018 document [Further education commissioner-led structure and prospects appraisals<sup>18</sup>](#) describes how the FE Commissioner can lead a process to identify restructuring options in FE colleges, sixth form colleges, and specialist designated institutions.

---

<sup>16</sup> <https://www.gov.uk/government/publications/rigour-and-responsiveness-in-skills>

<sup>17</sup> <https://www.gov.uk/government/publications/fe-colleges-intervention-policy-and-the-fe-commissioner-role>

<sup>18</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/715593/FE\\_Commissioner-led\\_structure\\_and\\_prospects\\_appraisals.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/715593/FE_Commissioner-led_structure_and_prospects_appraisals.pdf)

## Student Loans

Whilst the Department has overall responsibility and accountability for student support policy it delegates the role of administering payments, repayments and account maintenance to the Student Loans Company (SLC).

SLC is a company limited by shares under the Companies Act and an executive NDPB. The Department is lead sponsor and the majority shareholder with 17 of the 20 shares. SLC has delegated responsibility for carrying out various statutory functions relating to student loans and grants which are listed in its [Framework Document](https://www.slc.co.uk/media/10196/slc-framework-document.pdf)<sup>19</sup>.

Maintenance grants or loans are paid directly to students through SLC. Loans to students covering tuition fees are paid directly to higher and further education institutions. Student loans are recovered by HM Revenue and Customs, post-graduation, for borrowers earning above the relevant income thresholds.

The HE Funding Board is the Department's senior governance body for HE student funding. It provides oversight of its funding for student support in higher education and for loans for tuition fee funding for students in higher and further education. It does so by:

- forecasting and monitoring expenditure
- assessing the value of the loan books, and managing any associated risks
- ensuring that robust controls exist in relevant areas of spend and repayments
- ensuring the regularity of spend
- monitoring error rates and overpayments.

The Department also has a Memorandum of Understanding with HMRC and SLC, which includes key performance indicators that are reported to the Repayment Board. The Repayment Board is chaired by the Deputy Director for Student Funding Policy and membership includes representatives from the Department, HMRC, SLC, the Devolved Administrations, and HM Treasury.

SLC's Main Board and Audit and Risk Committee has specific responsibilities for ensuring the accurate and efficient stewardship of loans and grant funding, Departmental representatives attend these meetings in the role of Assessor. The Department also runs a number of other governance and scrutiny boards, including Quarterly Shareholder Meetings with finance colleagues, SLC and the Devolved Administrations.

---

<sup>19</sup> <https://www.slc.co.uk/media/10196/slc-framework-document.pdf>

Sales of tranches of the pre-2012 income-contingent student loan book are managed by UK Government Investments (UKGI) on behalf of the Department. The Income Contingent Repayment (ICR) Loan Sale Steering Board, which includes senior representation from the Department, UKGI, HM Treasury, HMRC and SLC, is the senior governance forum. The Department also has a Memorandum of Understanding in place with UKGI, which sets out the broad terms of engagement between the Department and UKGI in respect of the sale of these assets.

I receive assurance for the SLC operations through:

- The annual audit of their report and accounts
- Regular meetings between SLC's AO and the Department
- Annual NAO Audit of student support budget
- Department Officials' attendance at SLC Board meetings in their capacity as Assessors.

# Teachers' Pension Scheme

The Teachers' Pension Scheme (England and Wales) (TPS) is a statutory, unfunded, defined benefit occupational pension scheme. The TPS has a separate funding agreement with HM Treasury and accordingly is not funded as part of the Department's control total for expenditure limits, but as the Departmental AO, I am also the AO for the TPS.

The TPS has its own governance arrangements, as described in its Annual Report and Accounts.

Following a competitive tendering exercise, Capita was awarded the contract to administer the TPS until September 2021. The Department manages the contract with Capita, which liaises at a working level with Departmental officials in order to discharge its duties under the contract.

The TPS is governed at three levels: day to day service delivery, strategy, and oversight, with the independently chaired Pension Board adding an additional layer of assurance in the oversight level. Where appropriate, issues are escalated for further consideration through the governance structure. The strategy board, which meets quarterly, is chaired by a Departmental official. The service delivery board is chaired by the Department's senior contract manager; it monitors core pension administration delivery and performance against SLAs, and discusses any points of escalation.

The Teachers' Pension Scheme Pension Board meets quarterly, and two Departmental officials sit on it. Issues can be escalated to appropriate Departmental committees by the individuals who manage the pension administration contract and also by the Departmental attendees at the TPS finance and strategy boards.

In addition, the Department's Audit and Risk Committee provides assurance to me as the AO via oversight of the TPS governance model, challenge to the TPS Annual Report and Accounts production project and the associated audit by the National Audit Office.

# Glossary

Abbreviation	Narrative
AO	Accounting Officer
AFH	Academies Financial Handbook
ALB	Arm's Length Body
AMSD	Academies and Maintained Schools Directorate
ARC	Departmental Audit and Risk Committee
AT	Academy Trust
CEO	Chief Executive Officer
CITB	Construction Industry Training Board
Department	Department for Education
DSG	Dedicated Schools Grant
ECITB	Engineering Construction Industry Training Board
EFS	Exceptional Financial Support
ESFA	Education and Skills Funding Agency
EYNFF	Early Years National Funding Formula
FE	Further Education
FITB	Film Industry Training Board
GAG	General Annual Grant
GIAA	Government Internal Audit Agency
HESA	Higher Education Statistical Authority
HTB	Head Teacher Board
ILR	Income Contingent Repayment
LA	Local Authority
MAT	Multi Academy Trust
MHCLG	Ministry of Housing, Communities and Local Government
MPM	Managing Public Money
NAO	National Audit Office
NDPB	Non-Departmental Public Body
Ofqual	Office of Qualifications and Examinations Regulation
OfS	Office for Students
Ofsted	Office of Standards in Education, Children's Services and Skills
PAO	Principal Accounting Officer
PMO	Provider Market Oversight
RF	Restructuring Facility
ROCC	Resource, Output and Outcomes, Check and Challenge
RSC	Regional Schools Commissioner
SLC	Student Loans Company
SRO	Senior Responsible Owner

<b>Abbreviation</b>	<b>Narrative</b>
TPS	Teachers' Pension Scheme (England and Wales)
UIFSM	Universal Infant Free School Meals
UKGI	United Kingdom Government Investment
VCS	Voluntary and Community Sector

© Crown copyright 2019

This publication (not including logos) is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. Where we have identified any third party copyright information, you will need to obtain permission from the copyright holders concerned.

To view this licence:

visit [www.nationalarchives.gov.uk/doc/open-government-licence/version/3](http://www.nationalarchives.gov.uk/doc/open-government-licence/version/3)

email [psi@nationalarchives.gsi.gov.uk](mailto:psi@nationalarchives.gsi.gov.uk)

write to Information Policy Team, The National Archives, Kew, London, TW9 4DU

About this publication:

enquiries [www.education.gov.uk/contactus](http://www.education.gov.uk/contactus)

download [www.gov.uk/government/publications](http://www.gov.uk/government/publications)

Reference: **DfE-00164-2019**



Follow us on Twitter:  
[@educationgovuk](https://twitter.com/educationgovuk)



Like us on Facebook:  
[facebook.com/educationgovuk](https://facebook.com/educationgovuk)